



REPORT TO MAYOR AND COUNCIL

NO: 04-264

July 27, 2004

SUBJECT: Request Approval to Award HOME Project Funds of \$28,177 to Charities Housing for a Community Housing Development Organization (CHDO) Pre-Development Loan

REPORT IN BRIEF

Since 1999, Charities Housing has been actively pursuing affordable housing development opportunities in the City. In particular, Charities Housing has been working on the development of an 80 unit affordable senior rental housing project located on land owned by Santa Clara County, currently comprised of a park and a county medical clinic, at 660 Fair Oaks Avenue in Sunnyvale. As a designated CHDO (Community Housing Development Organization), Charities has requested reimbursement of incurred costs associated with the pre-development of the senior housing project. Staff is recommending Council consider approval of a pre-development loan of \$28,177 to reimburse the incurred cost so that the non-profit can continue to work towards the development of the affordable housing.

BACKGROUND

Each year, the City is required to set-aside a minimum of 15 percent of its HOME allocation for housing development activities to be undertaken by a special type of nonprofit, called a Community Housing Development Organization (CHDO). Of this set-aside, ten percent may be allocated for project specific pre-development costs.

In 1999, Charities Housing began discussions with staff regarding the development of an affordable senior housing project (formerly known as Lytton Gardens) on county-owned land. Staff informed the CHDO that the City could fund such a project with HOME funds.

On May 4, 1999,) the City's Annual Action Plan was approved by City Council (RTC 99-175). The Action Plan provided HOME funds to CHDOs to increase housing for low-income families, seniors, and the disabled through new construction and acquisition. Specifically, the Action Plan indicated that new

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construction of senior housing on county owned land was anticipated and that Charities Housing was named as the proposed developer using HOME funds.

Timeframes for committing and expending HOME monies are very short. Housing and Urban Development (HUD) regulations require the City to identify and designate CHDOs, and to reserve monies for the CHDOs' use within 24 months from funding commitment. At the end of the five-year period, all HOME funds are required to be expended.

In 2001, the City reserved \$281,774 in CHDO HOME funds for Charities for project-related development costs for the anticipated development of the Fair Oaks project. A maximum of \$28,177 of these reserved funds may be provided to Charities for a project-specific pre-development loan. According to HUD regulations, this loan is forgivable if the project does not go forward. Eligible costs are limited to: initial feasibility studies; consulting fees; architect, legal, engineer, development team fees; and title clearance costs.

In 1991, representatives from both the City and Lytton Oaks (the previous developer) approached the County of Santa Clara to determine if a senior-housing complex could be developed on a vacant parcel located at the Fair Oaks site, at Fair Oaks and Garland near El Camino, in conjunction with an expanded County medical clinic. The clinic occupies one of the parcels and the vacant parcel is owned by the County Parks and Recreation Department. The parcel had been identified as surplus property and will follow procedures in the County's real estate disposition process. If this process were to run its course, the property would be offered, giving purchase or lease option first to other County departments, then other government entities, then to non-profit organizations, then the public. Rather than attempting to gain site control through this competitive process, it is anticipated that the City may act as intermediary to help Charities Housing purchase (or lease) the property to develop the housing project.

The original scope of the project was to develop the site into affordable senior housing and to replace the 30-year-old clinic building with a similar sized facility more responsive to the growing needs of the County. Over the past five years, Charities Housing has focused its efforts to develop the vacant parcel, including studying various options in acquiring the rights from the County to develop housing. The County, during the last two-three years, began to place great emphasis on the development of a larger, more expansive clinic. The project remained pending until 2002. The two unresolved issues were the existing Right of Way (ROW) through the site and its impact on development

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and the lack of clarity by the County in assessing the size of the clinic and the disposition of County-owned land.

On September 9, 2003, the City sent a letter to the County supporting the ongoing efforts by Charities Housing to develop affordable senior housing at the Fair Oaks site. The County Board of Supervisors approved a feasibility study to include housing at the site. However, the County focus has clearly shifted to the expansion of the clinic as their primary concern.

The County continues to work with City staff on these issues. Specifically, the County remains challenged with the ROW that runs through the site. Staff anticipates that the County will submit detailed information to Council with a site plan in conjunction with a request that the City vacate a portion of the ROW. This will allow the County to maximize the number of parking spaces on the site for the clinic expansion. The construction of a county building on county land severely limits the ability to regulate the project. Staff has discussed with County staff the need for the County to outreach to the community and to obtain public participation, prior to a request for approval by Council to vacate a right of way on the site. The concern is that the community may become aware of the development only when construction begins on the 41,000-sq. ft. Clinic building. Public Works Engineering expressed concerns about access and other issues related to the Clinic.

The County has not, as yet, made a formal commitment to housing at the site, and is going forward with the environmental review without including the proposed housing. The County has decided to proceed with the design of the clinic project with the intent of considering the development of the housing later.

In order for the proposed housing to be developed, the site plan of the clinic should not preclude the location of housing at the site. The current site plan proposed by the non-profit would construct housing above the ground level, so that clinic parking spaces are not impacted.

The City, Charities and the County continue to collaborate and maintain open dialogue on housing and other project site issues. County General Services staff and their architects have discussed conceptual site plans for the site and continue to meet and discuss the project with City staff from Planning, Transportation and Traffic, Fire, Housing and Engineering.

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EXISTING POLICY

Housing and Community Revitalization Sub-Element:

POLICY E.2.g: Acquire land and assist in development/redevelopment of housing through partnerships with regional agencies, nonprofit housing developers and private sector developers.

POLICY F.4: Assist new housing development and housing support services for the elderly.

POLICY F.4.A: Provide City resources and non-general fund monetary assistance to nonprofit developers for new senior housing projects.

DISCUSSION

Charities Housing has continued to act and demonstrate to the City its commitment to pursue the development of this site for affordable senior housing.

The County required a Master Plan study of the Fair Oaks site to determine the feasibility of accommodating both replacement health center and an affordable senior housing complex. This study was jointly funded by the County and Charities Housing and completed in April of 2002. Charities contributed \$10,000 to the County towards the cost of consultant services. In addition, Charities has incurred legal costs in excess of \$8,400, initial traffic assessment costs of \$1,000, and architectural design costs of \$5,000. Charities has invested five years of staff time towards the realization of the development of this site.

Charities is requesting a pre-development loan to reimburse pre-development costs incurred and some additional anticipated costs. Staff recommends that Council consider approval of a predevelopment loan to Charities Housing of \$28,177 to cover project expenses related to pre-development costs associated with the development of senior housing at the Fair Oaks site. As outlined in this report, the process for the development at this site has been, thus far, very long and complex and it is still underway. Funding of the pre-development loan will provide Charities with additional resources to continue to work with the County on the development of housing at the site. Funding of the pre-development loan for costs related to the development of housing will also

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demonstrate to the County the City's continued hope that this project will include the development of affordable senior housing.

This project presents a unique opportunity to locate senior housing at a site with a health center available to serve the needs of those residents, within a reasonable proximity to services and within a half mile of the Senior Center. The creative option of utilizing County owned land to build senior housing by using the air rights above parking for the clinic would be a demonstration of the County's effort in addressing the affordable housing issue while also collaborating with the City in meeting Sunnyvale's affordable housing needs.

FISCAL IMPACT

No fiscal impact will result from the approval of a pre-development loan. The loan will be funded from the HOME project funds. The interest rate will be at 3% simple interest, payment will be deferred, however repayment of the loan will be due when the permanent financing for the project is secured. The pre-development loan is unsecured.

PUBLIC CONTACT

Public contact was made through posting of the Council agenda on the City's official notice bulletin board, posting of the agenda and report on the City's web page, and the availability of the report in the Library and the City Clerk's Office.

ALTERNATIVES

1. Approve a pre-development loan of \$28,177 to Charities Housing for incurred costs associated with the pre-development of an affordable senior housing project.
2. Do not approve a pre-development loan of \$28,177 to Charities Housing.

RECOMMENDATION

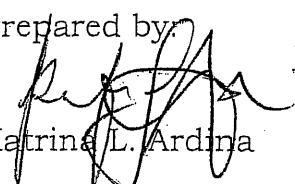
Staff recommends Alternative 1

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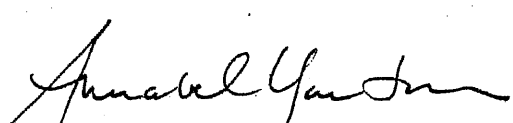
Prepared by:



Katrina L. Ardina

Housing Programs Analyst

Reviewed by:



Annabel Yurutucu
Housing Officer

Reviewed by:



Robert Paternoster

Director, Community Development

Approved by:



Amy Chan
City Manager

Attachments

- A. Reservation of HOME and CHDO set-aside funds letter
- B. City of Sunnyvale support letter to the County Finance and Government Operations Committee
- C. Charities Housing Request for Reimbursement Letter.

RTC 04-264 ATTACHMENT A



July 3, 2001

Dan Wu
Charities Housing Development corp.
195 E. San Fernando Street
San Jose, CA 95112

RE: Reservation of HOME and CHDO Set-Aside Funds

In the past year you have had discussions with Housing Department staff regarding the development of an affordable senior housing project. Staff informed you that the City could fund such a project with its HOME funds designated for a project carried out by a qualifying Community Housing Development Organization (CHDO).

Staff has previously reviewed the information you provided and is satisfied that Charities Housing Development corporation (CHDC) meets the requirements under the U.S. Department of Housing and Urban Development's (HUD) regulations for certification of CHDOs.

Therefore, the City intends to set aside the following of its HOME funds:

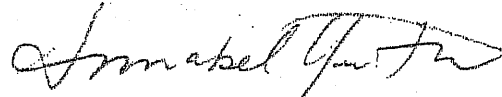
1999 -CHDO reservation in the amount of	\$ 83,250
2000 -CHDO reservation in the amount of	\$ 83,700
2000 -Remaining balance	<u>\$114,824</u>
Total	\$ 281,774

To Charities Housing for project-related development costs, including pre-development and/or acquisition, and to be determined upon the disposition of county land which will result in the identification of surplus land and the identification of a project site, within a reasonable period.

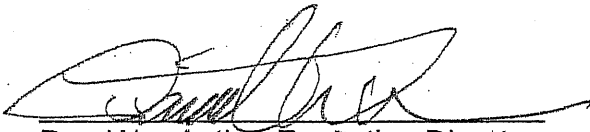
Your signature to this letter will meet HUD's programmatic definition of a commitment in order to reserve funds under the HOME program guidelines. At which time a project is identified, is determined to be feasible and meets environmental review requirements, the Housing Division will recommend City Council approval of funding. Subsequently, the funding reservation would then be converted to a project-specific HOME commitment and the Division will proceed with a full written agreement that meets the requirements of the HOME regulations set forth in 24 CFR Part 92.

Please sign below and mail this letter to the attention of Katrina Ardina. Should you have any further questions, please call Annabel Yurutucu at (408) 730-7698.

Sincerely,



Annabel Yurutucu
Interim Housing Officer



Dan Wu, Acting Executive Director
Charities Housing Development Corp.

RTC 04-264 ATTACHMENT B



August 22, 2003

Supervisor Pete McHugh, Chairperson
Supervisor Jim Beal, Vice-Chairperson
Finance and Government Operations Committee

County of Santa Clara
70 West Hedding St., 10th Flr., East Wing
San Jose, CA

Re: Support of the Fair Oaks Senior Housing Project

Dear Supervisors McHugh and Beal:

I have been informed that the Finance and Government Operations Committee will be reviewing a report on August 22, 2003 on the possible uses of the Fair Oaks project in Sunnyvale. As you may be aware, since 1991 Sunnyvale has anticipated the redevelopment of this site and has worked with a former non profit agency and Charities Housing, the current non-profit agency developer on the location of affordable senior housing on the site.

As we are all aware, the senior population in Santa Clara County is growing and so are the number of seniors who struggle economically. The cost of housing and the limited number of affordable rentals makes it difficult for seniors with low-incomes to afford decent housing. There are 67,000 seniors in the County whose income is less than \$1,250 per month; just about the average cost to rent a market rate one-bedroom apartment. For the majority of this group of seniors truly affordable rentals are not available. It is expected that between 2002 and 2020 the number of seniors who rent will grow by 111%. This means that the number of seniors needing rental housing will grow by more than 2,000 per year over the next 20 years.

In response, the City supports the on-going efforts by Charities Housing to develop affordable senior housing at the Fair Oaks site. This project is a unique opportunity to locate senior housing at a site with a health center available to serve the needs of those residents. The site is within a reasonable proximity to all other services. Specifically, the City of Sunnyvale has recently completed the construction of a 23,000 square foot "state of the art" multi-million dollar Senior Center that is located within a half mile of the Fair Oaks site.

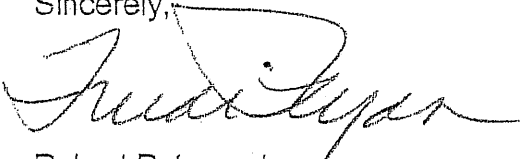
August 22, 2003

The Sunnyvale Senior Center provides the booming older adult population a full range of programs and facilities which feature large meeting and program activity rooms; a modern commercial kitchen; a stage; and arts and crafts facilities. The Senior Center is part of the Community Center complex, the recreation focal point for the City, amidst a park setting of grass, trees and fountains that provides numerous leisure and cultural activities, classes, programs and services to the community. The new Senior Center would greatly complement any nearby senior housing.

It is the City's hope that the County will proceed with this project that will include the development of affordable senior housing. The City has set aside funding to assist in the development of the affordable housing and the City looks forward to a collaborative partnership with the County and Charities Housing for the development of senior housing. The City has anticipated this as a pipeline project and has identified possible City funding resources that would provide significant leverage toward the financing of the affordable housing. The creative option of building senior housing over the air rights above parking for the health center would be a demonstration of the County's effort in addressing the affordable housing issue while also collaborating with the City in meeting Sunnyvale's housing needs.

If you have any questions, please call Annabel Yurutucu, Housing Officer at (408) 730-7698.

Sincerely,

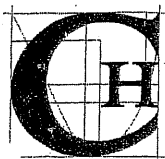

for Robert Paternoster
Director of Community Development

Cc County: Supervisor Donald F. Gage
Supervisor Blanca Alvarado
Supervisor Liz Kniss
Chief of Staff, Board of Supervisors'

Cc City: Robert S. La Sala, City Manager
Trudi Ryan, Planning Officer
Annabel Yurutucu, Housing Officer

RTC 04-264 ATTACHMENT C

ATTACHMENT "C"



CHARITIES HOUSING

AN AFFILIATE OF CATHOLIC CHARITIES OF SANTA CLARA COUNTY

June 30, 2004

Katrina Ardina, Housing & Loan Specialist
City of Sunnyvale
456 W. Olive Avenue
P.O. Box 3707
Sunnyvale, CA 94088-3707

Re: Fair Oaks Senior Housing Project

Dear Katrina:

Per your request, I am submitting our predevelopment expenses for the Fair Oaks senior housing project for reimbursement. The total expense incurred for this project is \$24,378.95. Invoices were submitted under previous cover.

Please contact me with any questions you may have or if you need any additional documentation.

Sincerely,

Dan Wu
Director Housing Development

RECEIVED

JUL 08 2004

CITY OF SUNNYVALE
HOUSING DIVISION